

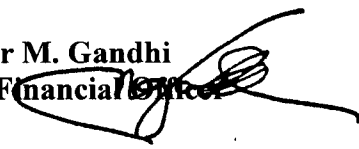
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: December 11, 2009

SUBJECT: Fiscal Impact Statement – “The Heights on Georgia Avenue Residential Development Stimulus Act of 2009”

REFERENCE: Bill Number 18-45 - Markup

Conclusion

Funds are not sufficient in the FY 2010 budget and FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would cost \$52,000 in FY 2010 and \$447,000 during the FY 2010 through FY 2013 financial plan period. This legislation is being proposed subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would provide a series of tax abatements to subsidize the development of The Heights on Georgia Avenue (the Project), a proposed affordable residential and retail development located at 3232 Georgia Ave, NW¹. The Project will consist of 69 rental residential units and 10,000 square feet of retail. The legislation requires that 50 percent of the total residential units in this project be affordable, with 30 percent of the total units priced at 60 percent of the Area Median Income (AMI) and 20 percent of the total units priced at 80 percent of the AMI. Although not required by the legislation, the developer plans to offer the other 50 percent of the units as workforce units to households earning between 80 percent and 120 percent of the AMI. The developer plans to commence construction in the spring of 2010.

¹ Square 2892, Lots 98, 903, 904, 908 and 911.

The proposed legislation will provide a number of tax and fee abatements to the Project. First, the Project would be exempt from real property taxes for the residential portion of the building. The real property tax abatement will expire when one of the following conditions has been met: 1) 30 years have passed or 2) 50 percent of the units are no longer designated as Affordable Units. If the Project does not meet certain development milestones as set forth in the proposed legislation, the developer would be responsible for repaying the value of the real property tax abatement. The proposed legislation also provides the developer with a waiver of all permit fees related to the construction of the Project.

In addition to the subsidy derived from the construction-period and operating-period abatements proposed in this legislation, 19 percent of the Project's proposed development budget is from District sources, including a soft second loan of \$2.5 Million from the Department of Housing and Community Development (DHCD), \$1.3 Million from a Great Streets TIF Note, and \$500,000 from a Neighborhood Investment Fund Grant. The construction loan will cover 73 percent of the Project's costs and will be insured by HUD. Developer and private equity total 8 percent of the Project's costs. The HUD-insured loan, DHCD loan and Great Streets TIF have not yet been approved.

Heights on Georgia Avenue - Sources of Funds	
Source	Amount
Section 221(d)(4) HUD insured mortgage (<i>plan to apply in December 2009</i>)	\$16,567,000
Private Equity	\$ 1,754,000
DHCD Housing Production Trust Fund Loan (<i>request pending</i>)	\$ 2,500,000
Great Streets TIF (<i>\$742,000 approved, increased request pending</i>)	\$ 1,274,000
Neighborhood Investment Fund (NIF) Grant (<i>approved</i>)	\$ 492,000
Total	\$22,587,000

Financial Plan Impact

Funds are not sufficient in the FY 2010 budget and FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. Implementation of this legislation is subject to its inclusion in an approved budget and financial plan.

The following table outlines the impact of the proposed legislation on the District's budget and financial plan. The proposed legislation would cost \$52,000 in FY 2010 and \$447,000 during the FY 2010 through FY 2013 financial plan period.

Estimated Fiscal Impact on the Budget and Financial Plan					
Type of Tax	FY 2010	FY 2011	FY 2012	FY 2013	Total
Residential Real Property Tax	\$12,000	\$25,000	\$165,000	\$170,000	\$372,000
Permit Fees	\$40,000	\$30,000	\$5,000	0	\$75,000
Total	\$52,000	\$55,000	\$170,000	\$170,000	\$447,000

The proposed residential real property tax abatement will subsidize the operations of the Project and continue to have a fiscal impact beyond the financial planning period. It is not clear that the Project will need an operational subsidy of this magnitude for the next 30 years. However, given the expiration conditions on the real property tax abatement, it is likely the Project will continue to receive abatements through FY 2039 at amounts displayed in the following table. The net present value of the entire subsidy package proposed in this legislation is \$3.2 Million.

Estimated Reductions to the District's Revenue Collections		
	Estimated Annual Abatement	Cumulative Abatement
FY 2010	\$12,000	\$12,000
FY 2011	\$25,000	\$37,000
FY 2012	\$165,000	\$202,000
FY 2013	\$170,000	\$372,000
FY 2014	\$175,000	\$548,000
FY 2015	\$181,000	\$728,000
FY 2016	\$186,000	\$914,000
FY 2017	\$192,000	\$1,106,000
FY 2018	\$197,000	\$1,303,000
FY 2019	\$203,000	\$1,506,000
FY 2020	\$209,000	\$1,716,000
FY 2021	\$216,000	\$1,931,000
FY 2022	\$222,000	\$2,153,000
FY 2023	\$229,000	\$2,382,000
FY 2024	\$236,000	\$2,618,000
FY 2025	\$243,000	\$2,860,000
FY 2026	\$250,000	\$3,110,000
FY 2027	\$257,000	\$3,368,000
FY 2028	\$265,000	\$3,633,000
FY 2029	\$273,000	\$3,906,000
FY 2030	\$281,000	\$4,187,000
FY 2031	\$290,000	\$4,477,000
FY 2032	\$298,000	\$4,775,000
FY 2033	\$307,000	\$5,083,000
FY 2034	\$317,000	\$5,399,000
FY 2035	\$326,000	\$5,725,000
FY 2036	\$336,000	\$6,061,000
FY 2037	\$346,000	\$6,407,000
FY 2038	\$356,000	\$6,764,000
FY 2039	\$367,000	\$7,131,000